



MEMORANDUM

TO: Members of the Insurance and Real Estate Committee

FROM: Richard Hogan, Legislative and Regulatory Counsel, CATIC

RE: S.B. No. 1028 (Raised) -- An Act Concerning Insurance Department Examinations of Market Conduct Activity

DATE: March 7, 2013

My name is Rich Hogan and I am the Legislative and Regulatory Counsel for Connecticut Attorneys Title Insurance Company (CATIC). CATIC is a Connecticut domiciled title insurance company that has been in existence for almost 50 years and employs over 100 people in our Rocky Hill and Norwalk offices. We issue our policies through thousands of attorneys' offices throughout New England.

Thank you for the opportunity to testify in opposition to S.B. 1028. Let me state at the outset that we have never worked to oppose a bill that is being sponsored by the Connecticut Insurance Department and we do so now very reluctantly. I also want to make it clear that we have met with representatives of the Connecticut Insurance Department and we will continue to try to find some sort of compromise with the Department.

Insurance Departments around the country perform Market Conduct Exams to make sure that insurance companies comply with applicable state laws and regulations. These exams are very important to assure that consumers are not harmed by the practices of insurance companies. S.B. 1028 would allow the Connecticut Insurance Department to charge Connecticut-domiciled insurers when the Department uses third party experts to assist the Department in conducting market conduct exams. We oppose this legislation for two reasons:

1. We are very concerned with the trend in Connecticut towards the privatization of regulation. Increasingly, the Connecticut Insurance Department seems to be using individuals in the private sector to assist the Department. We see this in the area of

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financial regulation and also Market Conduct Examination. This privatization is troubling to us because of the risks that these contracts will be doled out without regard to cost effectiveness or quality.

2. We are also very concerned with the cost when the Department engages these third party experts. As I said from the outset, CATIC is a medium sized business. My company already pays almost \$200,000 to fund the operation of the Connecticut Insurance Department. Last year my company had to pay an additional \$200,000 when the Department engaged the services of third party experts to assist the Connecticut Insurance Department. If this legislation were to pass, CATIC could expect to pay an additional \$150,000 to \$300,000 when a Market Conduct exam is conducted. For a medium sized company like CATIC we could very well have to pay up to \$700,000 in one year to fund the Connecticut Insurance Department, and pay for third parties to assist the department in financial and market conduct exams. These fees are devastating to a medium sized company like CATIC.

I urge the Committee to reject this legislation.